America India Development Alliance (AIDA)[1]

A USAID/India Initiative Designed to Foster Durable Development Partnerships Between American and Indian Organizations

New Activity Document (NAD)

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Introduction

This New Activity Document (NAD) proposes the establishment of a private, independent entity devoted to fostering durable partnership relationships between Indian and American institutions in support of India's sustainable development. This is a potentially powerful organizational initiative that will augment the level of human, financial and intellectual capital devoted to India's development. This will also provide an avenue for US organizations to learn from India's development experience and lead to a cross-fertilization of ideas in the development sector between two leading global players.

USAIDs' long term vision is to help ensure that India and the US complete their bilateral development agenda during the coming 15 years and that an enduring entity is established to address remaining developmental concerns[2]. The Mission's strategy for FY 2003-2007, and long term vision (FY 2003-2017) as approved by USAID/Washington, speaks of partnerships as a cross-cutting theme and the establishment of a partnership fund. The proposed new entity will address both aspects of the Missions' strategy as well and provide useful experience for the long term goal for establishing a legacy foundation.

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[1] This is but one proposed name. The DAI report titled 'The Collaborative Venture Facility Design Analysis' dated February 28th, 2003 contains several other suggested names.

[2] Extract from the USAID/India 2003-2007 Strategy document: "During this strategy period, a Partnership Fund will be established to test concepts and operating principles that highlight the growing linkage between entities in the US and India. The Partnership Fund will probably be an entity in India with participation and financing from USAID, the private sector, and the non-governmental sector. The Partnership Fund will seek new and creative methods of delivering development assistance and will be a testing ground for a larger and more permanent Legacy Foundation."

The NAD is based on 18 months of background work and on interviews with over 200 individuals and 43 organizations in India and the United States. This NAD constitutes a distillation of that prior work supplemented by eight analyses[3] contained in a document entitled The Collaborative Venture Facility Design Analysis, Final Report prepared by Development Alternatives Inc. in association with Tata Consultancy Services. (Short summaries from these analyses are set forth as an attachment to the NAD.)

Background research indicates that there is no exact analogue to the proposal contained in this NAD and the concept is experimental and not without risk. The pay-offs in a project that shapes and strengthens partnerships can be immense in influencing attitudes towards development and supplementing resource flow in this direction.

1. Background

1.1 Problem and the environment

Over the next generation, India is likely to accomplish significant elements of its development agenda- removal of structural poverty, higher literacy, improved primary healthcare, food security, etc. During this period, the rationale for continuation of traditional development assistance efforts will wane. At the same time, India will continue to face immense social challenges that will constitute potential impediments to accelerated growth and stability. The role of the independent sector will be pivotal. That is the collection of non-governmental entities, foundations, research and advocacy groups, universities and professional associations that lie between the domains of government on the one hand and the commercial sector on the other will constitute both arbiter and compass for India's continued positive evolution.[4] However, the lack of American style philanthropy in India, which is marked by giving to institutions that decide on how and where resources will be allocated, is one hindrance to having a well financed independent sector.

USAID has been seeking new ways to do business, stay relevant, and work 'smarter'. The Global Development Alliance (GDA) is one example. In an era of globalization, multiplicity of actors in the development arena, emphasis and need on public-private collaboration, and shrinking resources, it is imperative to develop new models for

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[3] The eight analyses are : sector, constraints, participation, lessons learnt, gender, legal, financial operations, and implementation

[4] In this document we have used the terms "independent sector", "third sector" and "development related" organizations to refer to the potential universe of clients that the new Facility could work with. These are inclusive terms that cover a wide number of organizational groups. As discussed later in the NAD, we recommend that at this exploratory point, the institutional focus of the new entity remain as broad as possible. Once established the staff and board of the Facility will have to work through a prioritization process in order to focus their limited resources and they may decide to work only with a narrow band of organizational types. For a list of the different types of organizations that we believe will constitute the potential client base and that we mean when we use the rubric "development related" see the illustrative taxonomy included as Attachment #5.

remaining effective. The US/India bilateral development assistance program is very small in relation to the immense range of needs in this vast country of over a billion people. This places a high premium on locating critical "tipping points" that will multiply the impact of limited resources and on integrating and coordinating Mission resources to achieve potential synergies. Promoting partnerships, developing linkages between Indian and U.S. institutions, improving the quality of and extent of partnerships, and strengthening local institutions will, when effectively utilized, allow for 'high impact' results using the limited resources of USAID/India.

India's development experience, given its functional democracy, its reliance on indigenous solutions, and its limited resources offer rich learning experience to organizations worldwide. The presence of a vibrant independent sector with know-how and linkages will allow for development of portable business models to be used in other nations. U.S. organizations will enrich themselves by understanding and collaborating on these new and different development and delivery models. There is mutual benefit in the linking of innovative institutions in areas as diverse as corporate social responsibility, community health, education, and women empowerment. Some examples include collaboration in the design of a cycle-rickshaw (a bicycle attached to a cart to transport people/produce) to reduce fatigue of the driver, or the mass production of very low cost of prosthetics developed by doctors in India to victims of minefield injuries in Afghanistan/Angola. More durable relationships in areas such as caring for AIDS infected people and the like can also be visualized.

During the more than 50 years of the US/Indian development assistance relationship, strong bonds of affection and mutual interest have emerged. Today there is an unprecedented level of interest in Indian culture and development among a wide spectrum of American institutions: commercial, philanthropic, educational and scientific. This is supported by the existence of a large and quite successful group of Indians who have made their home in America and who have maintained an abiding interest in the country of their or their parents' birth. It also reflects the intrinsic commercial, political and cultural importance of India in world affairs. Finally, because of its size and complexity and the complex nature of social and development issues, India is the primary point of global focus on the issue of poverty.

In summary, the proposed new organization will address several of the issues mentioned earlier. Firstly, it would engage actively with the new and increasingly significant players in the development arena- PVOs and NGOs. Secondly, it would leverage additional resources for development work, do business differently and act as a 'force-multiplier.' Thirdly, it would provide for mutually beneficial sharing of learning and experience between U.S. and Indian organizations. Fourthly, it would capitalize and channel the growing interest between America and India especially amongst the wealthy and powerful Indian Diaspora in the U.S. Finally, the organization will test the concept of a legacy foundation once India graduates from USAID programs.

1.2 GOI Policy

The USAID counterpart in the Government of India (GOI), Department of Economic Affairs (DEA), in its approval for the USAID strategy 2002-07, noted that the Partnership Fund would fall outside the bilateral mode of operation. More recently the Finance Minister of India, while presenting the Union Budget for 2003-04 to the national parliament on February 28th, 2003, had the following to say, *"... a stage has come in our development where we should now, firstly, review our dependence on external donors...while being grateful to all our development partners of the past, I wish to announce that the Government of India would now prefer to provide relief to certain bilateral partners, with smaller assistance packages, so that their resources can be transferred to specified non-governmental organizations (NGO's) in greater need of official development assistance..."*

While this may not impact USAID/India for the present the intent to decrease dependence on external donors is clear. At the same time the GOI has warmed to the idea of tapping the vast resources of the Indian Diaspora and regarding them as a 'strategic asset'. Finance, knowledge, experience, political contacts, and other talents of the 20 million (2 million in the US) overseas Indian are being assiduously sought.

GOI has a well defined regulatory framework for receipt of foreign contributions. Since 1973 a law has been promulgated that requires recipients of donations, contributions, and non personal gifts from foreign sources[5] to be registered with the Ministry of Home Affairs (MHA), under the Foreign Contributions Regulation Act (FCRA)[6]. To obtain FCRA registration a background check on the antecedents of the organization is conducted by the Indian government. There is no other significant regulatory issue regarding operating in this sector.

1.3 Work of USAID or Other Donors in this Area

Several donors have recognized the importance of assisting the formation of partnerships between NGOs/PVOs to address development issues. None, to our knowledge, have formalized this by creating a separate entity charged with fostering the creation and nurturing of partnerships. The British Council in India has developed a powerful web based tool, 'indev' which helps development managers accessing information. The World Bank has started a 'country innovation day' program for galvanizing NGOs which have partnerships with other institutions to compete for grants from a consortium of donors. USAID has also collaborated with the World Bank in their country innovation day programs in Africa. The Global Development Alliance of USAID works to foster partnerships to address development issues.

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[5] For a more detailed discussion of FCRA see page 5 of the DAI report titled 'The Collaborative Venture Facility Design Analysis' dated February 28th, 2003
[6] In 2000-2001, Foreign contributions under FCRA totaled $905 million; on which those from the US were $299 million (33%)- DAI report page 6

The extent of US institutional engagement in India is relatively modest, considering the size and vibrancy of relations between the two countries. New institutions and techniques for fostering collaboration between the United States and India are however, emerging. Examples include the recent establishment of the American Indian Foundation and Indicorps which are both placing US volunteers with Indian NGOs, the success of the US based The Indus Entrepreneurs in raising funds to support primary education, the Packard Foundation's significant investment in Indian health, the Gates Foundation investment in HIV/AIDS, the creation of charitable foundations by such groups as the Association of Physicians of Indian Origin, the wide spread interest in the US/Indian corporate community in social responsibility and the plethora of studies on NRI giving and philanthropy.

1.4 USAID Response

This NAD proposes setting up a new entity in India to promote partnerships between American and Indian institutions. This section lists the key constraints, functional, and organizational details of the proposed organization. However, prior to a discussion on the above, a key question needs to be answered. Why is there a need for US public investment in this area?

India has become an important partner for the US not only in the South Asia region but also in the world. Promoting democratic governance, driving economic growth, improving people's health, mitigating conflict, providing humanitarian aid and accounting for private foreign aid in India will be key elements of a strategy to ensure that India's continues to be a stable, prosperous and reliable partner. With the liberalization of the Indian economy and the emergence of an independent sector new paradigms have emerged in India. To continually and substantively participate in the new paradigm, which includes the growing influence and importance of the independent sector, it is necessary to engage with this sector. As the USAID Administrator stated, *"...many non-government sources also provide foreign aid: foundations, corporations, private and voluntary organizations, colleges and universities, religious organizations, and individuals. All these sources-[provide] nearly $60 billion a year, or six times the official assistance...With private assistance predominating, U.S. official assistance will have to develop stronger partnerships with the full array of private sources."[7].* Additionally, the growing importance and influence of the Indian Diaspora in the U.S. and their demand for forging innovative solutions to address India's problems requires creative solutions such as the creation of AIDA.

The development arena in India is extremely complicated. The country is akin to a continent, a single state, Uttar Pradesh, would rank as the sixth most populous country in the world and regional disparities are immense. While over 300 million people live in abject poverty (more than in Africa and Latin America combined) India boasts the fourth highest GDP in the world (Purchasing Power Parity basis).

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[7] Quote from the Foreword written by USAID Administrator, Andrew S. Natsios in the publication: Foreign Aid in the National Interest- Promoting Freedom, Security, and Opportunity, USAID, 2002.

Against this backdrop, the resources of the government to address developmental challenges are stretched, and the role of the independent sector is increasing. The independent sector is becoming a compelling player in the development arena and it is desirable to partner with it. A closer analysis of this sector however, indicates patchy and sporadic growth due to inherent problems. There is limited collaboration between institutions, lack of information sharing and failure to 'connect' between organizations. This 'inefficiency' leads to poor utilization of resources, duplication of effort, delays, and at a macro level a stunted independent sector.

Despite these limitations the independent sector is poised to become a significant agent addressing India's development problems and there is an urgent need to nurture and sustain its growth. A useful perspective is to view the demand and supply of services, information, and resources in terms of a marketplace. Institutions with an interest and desire to offer information, resources etc. are akin to suppliers, while those other agencies which desire such services are similar to buyers. For this 'marketplace' to function effectively, certain conditions needs to be met: free flow of information about parties and easy access to the 'marketplace', credibility of parties, and a 'critical mass' of 'buyers' and 'sellers.' Looking through this lens, this market has not been institutionalized in India. There is lack of information about potential US institutions, the capacity of Indian institutions to meet governance and transparency guidelines is limited, and the perceived risk of engaging with other agencies is regarded as high. To tackle this 'market failure' it is necessary to address the fundamental causes that have led to this situation. US public investment in this important area is necessary as:

1. This investment squarely meets USAIDs mission of poverty alleviation, gender equity, improved governance, using partnerships as vehicles for development works, and working smarter with limited resources. By building AIDA the US will continue to derive the satisfaction of being an important player in India's development with small monetary commitments.
2. Creating a market is an essential first step. Key elements of a functional market would include agreement of services to be traded, limited or no barriers to entry, professional regulators, and free flow of information. Developing the 'market' for development partnerships is a long term process with no 'profits' and is potentially a high risk, though necessary, investment. Due to these factors it is unlikely to see any private sector involvement, at least in the short term. The GOI, too is ambivalent about the eventual role and power of the independent sector and hence would not be very keen to invest in its development. The USG, on the other hand has long promoted the independent sector and has a history of developing market institutions. Additionally this experience would provide useful learning for USAID about the viability of this concept and, if successful, could be used in other countries.
3. Due to the multiple stakeholders, there is a need for an unbiased market operator. USAID's stature and convening power would provide for wide acceptance and quick implementation of the concept.

4. The project provides for an early and highly visible engagement with a new class of Indian opinion makers involved in India's development. It also resonates with the growing and influential class of the Indian Diaspora settled in the US, many of which are actively involved in assisting Indian development. Thus USAID will have the ability to participate and influence the 'next wave' of developmental strategy and institutions in India.

5. The partnership broadens Foreign Aid's constituency beyond the traditional. By engaging several other organizations, not only is the network of interested participants increased, but the quality and extent of projects and networks enhanced. New interest groups will participate and will add to the strengthening of the people-to-people interactions and participation between the US and India.

6. The partnership initiative has caught the imagination of the GOI and aligns well with the 'signals' received from the GOI for using new modalities for conducting business in India. Policy announcements (referred to earlier) indicate that the GOI is re-looking at the way it conducts business with bilateral agencies. The proposed partnership initiative seems to 'fit' well with the new thinking in the Indian government. This will allow USAID/India to maintain its 'compelling relevance' for time to come in India.

7. The partnership can be a useful component to continuing programs, especially small ones. To try innovative and experimental approaches in different areas, small investments will allow for impacting a wide variety of problems and developing solutions which can be scaled up by either the partners themselves or by other established players in the development sector. AIDA also gives USAID a mechanism to use as part of its graduation strategy in India which preserves USAID investments.

A related issue is whether USIAD should create a separate legal entity to promote the development of partnerships between US and Indian organizations or simply align itself (by way of grants/cooperative agreements) with an existing entity to promote its objectives relating to partnership creation, or simply run this as a mission managed project. This question was analyzed by the consultants and it is recommended to pursue the objectives through a new legal entity. In fact in the 'lessons learned' section of the analysis several clear examples are given which support this recommendation. The benefits are manifold: the independence of the concept is maintained, there is no dilution of focus, assess to additional resources is possible, political interference is minimized, and operational flexibility is greater. Moreover the building of genuine partnerships is an time-consuming and difficult process which requires specialized organizational and people skills. Having a separate entity (going beyond the GDA concept) also shows commitment to US-India relations and provides a platform to launch the Legacy initiative in a cost effective manner.

A. Constraints to Partnering

The building of partnerships is a difficult and expensive process. There are significant procedural, cultural, geographic, financial and (most importantly) attitudinal barriers that impede the formation of bi-national institutional linkages. These are discussed in the study prepared by Development Alternatives and briefly listed below. Sensitivity to these constraints is critical to the structure and functions of the proposed organization. These barriers include:

♦ Lack of information and institutional knowledge on partnership opportunities. There is an absence or paucity of venues for alliance "shopping." The size and immense complexity of an increasingly decentralized Indian society make it difficult and expensive for US institutions to identify appropriate partners. The inherent difficulty of sorting through an infinite maze of potential associations in order to identify and develop a partnership relationship can also be daunting for both Indian and US institutions.

♦ The existence of a network of procedural and regulatory requirements that are underline perceived as a barrier to the partnering process, such as constraints on foreign exchange transfers and registration requirements.

♦ The up-front transaction cost of building an alliance, particularly in a country as large and complex as India. Few American non-profits have the financial resources to invest in the slow and tentative process of partnership building, even though the returns may be significant. Similarly, there are inadequate resources, especially among the smaller Indian NGOs for partnership exploration costs. Although the ICT (Information Communication and Technology) revolution has helped in the identification process, very few donors provide funding for the exploratory process that allows prospective collaborators to gain a deeper understanding of culture and values, so critical to partnering success. Further, the difficulty and cost of translating an approach or methodology from the American context to one that is viable and effective in India can be an impediment.

♦ There is a distrust of US funding institutions by Indian NGOs and a consequent hesitation to partner with them. Frequent programming changes, inequality in the power balance of the relationship, and overarching U.S. Government priorities which impact program design and are sometimes referred to as a 'hidden agenda' are some reasons for this distrust.

♦ The limited (Indian) NGO absorptive capacity and associated problems of credibility emanating from a lack of organizational transparency and accountability make it difficult for potential partners to do business. The universe of Indian NGOs contains an abysmally low number of those NGOs which 'qualify' in terms of high accounting, transparency and governance standards expected by international

institutions. This dramatically reduces the number of potential 'players' in the marketplace for partnerships, thereby causing distortions and imperfections.

♦ Inadequate understanding of how to identify and build mutually beneficial alliance relationships including, for example, , the drafting and negotiation of alliance agreements, organizational structuring, communications systems, resolving disputes, etc.

There do not appear to be facilitating organizations whose broad purpose is to support partnership formation between development organizations and who have a comparative competence in this domain. While there are international professional associations in many sectors and groups that promote international cooperation within a topical area such as human rights, there do not appear to be groups who have deliberately developed a competence in providing management assistance to formative relationships. AIDA will be designed to address these issues.

B. Goals and Purposes

AIDA would support the identification, formation and effectiveness of American/Indian partnerships that have a positive impact on India's development.[8] This would entail increasing the quantity and quality of collaborations between American and Indian organizations that work in the area of social and economic development. Increased flow of information and participation in conferences, seminars etc. would help alleviate the current market deficiency of poor information sharing and lack of trust between potential partners.

To address issues of capacity, it would improve the managerial and organizational capacity of Indian and American organizations to partner together. AIDA would also generate net additional human and financial resources to support development partnerships.

 "Show stoppers" such as risk perception in aligning with new international partners is daunting. AIDA will identify and support innovative ideas, solutions, methodologies and technologies that are developed and applied through partnership relations. This will inspire confidence between potential partners and enhance the level of collaboration

USAID/India envisages the completion of its development agenda in the next fourteen years. The USAID/India contemplates establishment of a legacy institution once India 'graduates' from direct USAID assistance. AIDA will have several years of experience in developing strategies and operating programs prior to the USAID exit from India. This valuable and rich experience coupled with a wide network of relationships in India and the US would be very useful in developing the concept and operating principals for the

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[8] The emphasis here is on the result of the partnership, not on the partnership per se. However, there is an underlying premise that a strong partnership is more likely to yield results than a weak partnership and that a durable, long–term relationship is more likely to be effective than a short term liaison.

Legacy Foundation. AIDA will serve as a "laboratory" to test the feasibility and impact of a "legacy" initiative that may be created to address continuing development challenges as the US bilateral program phases down in India. If successful, AIDA could itself take on the mantle of becoming USAID's legacy institution in India.

C. Core Functions

To achieve these goals, the principal functions will revolve around three pillars: improving quality and access to information, improving capacity of the Indian NGOs and mitigating risks of forming partnerships. In terms of priorities AIDA will focus first on information assimilation and dissemination, second on mitigating risk (using grants is one mechanism) and finally on capacity development. It is anticipated that core program functions would include:

1. Information and access to potential partners:

♦ **Information exchange**. Exchanging information through creation of a web site, publication of a newsletter, convening of conferences, public presentations and workshops and the use of other techniques to bring potential partners together.

♦ **Data base.** Developing a data base of information on American and Indian development organizations that are or might prospectively work together in an alliance relationship. This will be a key element in assisting potential partners learn about each other.

♦ **Studies and analysis**. Conducting studies and analyses to identify areas of potential collaboration and to assist the proposed organization to better target scarce resources in high pay-off areas. Research and monitoring of Indian and Indian Diaspora philanthropy and effectiveness of partnerships for addressing development issues has not been studied in any comprehensive and sustained manner in India. To effectively implement its mission and review its strategies AIDA will also support some research in this area.

♦ **Marketing and outreach.** AIDA's programs and services will through board outreach, conference participation, partnering "trade fairs", publication of articles, program advertisements and announcements and the work of a development officer increase the size of the market and induce more players to participate in evaluating partnerships as vehicles of addressing developmental issues.

♦ **Pro-active and targeted exploratory search for potential collaborations**. It is anticipated that in designated priority areas AIDA will actively search for and attempt to cultivate partner relations where it believes these alliances have potential with respect to Indian development.

2. Risk mitigation

- **Use of grants** to:

  - Support a project that will test the viability of a working relationship.
  - Support an experimental approach or new methodology.
  - Help two organizations develop a model, technology or methodology.
  - Assist one prospective member of a partnership work with a counterpart to adapt a technology or approach to the Indian context.
  - Enhance organizational capacity to better manage a partnership relation.
  - Fund-raising support to help partnerships identify and obtain additional financial resources.

3. Capacity building and enhancing credibility of Indian NGOs/institutions

- **Management assistance**. Provision of management assistance in the formation, management and sustainability of alliance relations. This could include direct hands-on advisory services from AIDA's staff, preparation of manuals, guidelines, pro-forma partnership agreements, and small grants for training and to procure management services.

Additional functions that will be added in subsequent years include:

- Fund-raising efforts on behalf of the proposed organization itself.
- The establishment and management of a partnership fund or funds to be managed on behalf of a contributing donor or organization. (An international application of the community foundation model.)
- Testing and developing new alliance models and modalities**.**
- Evaluating the feasibility and effectiveness of the alliance model with reference to the possible establishment of a legacy foundation.

Several existing USAID programs are devoted to fostering and promoting partnerships. From well established programs in capacity building and health to newer initiatives like GDA, USAID has consistently recognized the importance of using partnerships as a business model. The design of AIDA will recognize and build upon the experiences of USAID, both good and bad, in partnerships. Specifically it will be different from current models in several ways and is a reorientation of the traditional way of promoting partnerships.

AIDA does not envisage a donor-donee relationship (which is sometimes incorrectly referred to as a partnership) with its constituents. The objective is promotion of viable partnerships between two or more parties which can demonstrate a end result that benefits either the US or India.

Grants and TA will be merely facilitators to get potential partners together. Most of the financial resources are expected to be raised by the partners themselves. Thus AIDA will not be merely a funding source.

The organization will be mandated to take risk and promote non-traditional forms of cooperation. This will open up avenues for partnering among several new and untapped organizations in the US and India.

As AIDA will not have a mandate to focus on any particular area, opportunities for cross-sectoral partnerships will increase. This will apply not only to organization 'types' but also to different field of work. For example a profit making dairy in the US can choose to partner with a packaging company and a milk cooperative in India to develop longer shelf life products.

AIDA is expected to be a learning organization. By focusing exclusively on the role of partnerships in achieving and promoting development the organization is expected to become a laboratory and repository of experiences in this area. This will be a valuable resource for the development sector, globally.

D. Institutional Capacities

To operate effectively AIDA will require the capacity to function in an integrated manner in both the United States and India. Further, at least initially a professional understanding of USAID procedures and procurement requirements will be necessary as AIDA will be supported by USAID funds and will need to comply with USG guidelines.

To obtain pre-eminence in its field of operation AIDA will require a keen understanding of the organizational development skills needed to identify, nurture and build alliances. AIDA will also require an analytical ability to engage in a process of program priority setting and strategic planning in order to concentrate limited resources on priority areas. Access to key leaders and influential thinkers in the development community will be required to build a solid reputation and have the necessary convening power. AIDA's capacity to monitor and evaluate a portfolio of diverse relationships with partnering groups including the capacity to identify relevant measures of progress and success will make it flexible and effective. Finally, professional fund raising skills and an institutional knowledge of the sources of potential philanthropic support in both the United States and India as well as knowledge and understanding of the principles of venture philanthropy will be needed.

E. Institutional Authorities

In order to function effectively, AIDA will have the following <u>authorities</u>:

♦ Make grants to a US entity, an Indian entity or to a legal entity created by both partners.

♦ Provide advisory services in the areas of organizational development and the management of partnership relations.

♦ Require cost sharing contributions from recipients at levels to be negotiated in each instance.

♦ Seek and receive charitable donations from Indian organizations and individuals; authority to seek and receive charitable donations from US individuals and organizations.

♦ Manage donations and bequests from US and Indian sources and to invest these resources in order to protect and increase their asset value.

G. Relationship with USAID

The nature of the evolving relationship with USAID will be highly influential in determining the success or failure of the AIDA initiative.

AIDA should remain as autonomous as possible from USAID. It is critically important that detailed operating procedures be established by the board and staff of the new entity within the context of guiding principles to be set forth in the contract or cooperative agreement that initiates AIDA. While USAID may wish to retain authority to review and approve or to review and advise, central responsibility for the design of an entity that responds to the purposes set forth in this document should be vested in the new organization.

It will be impossible to attract and retain a high quality board if there is a perception of external management and control. While board members should understand that funding must comply with Foreign Assistance Act (FAA) constraints and that operations must align with the goals and purposes set forth in the enabling charter of the organization, it is important that the board and staff be empowered to design and manage an organization that will pursue and achieve these objectives.

Similarly, heavy operational involvement will make it difficult to foster and support alliance relationships because of the inevitable negative implication that the proposed organization is operating pursuant to a US agenda.

Extensive external USAID involvement will tend to reduce risk tolerance and will inevitably shift the culture of AIDA toward an organization that pursues pre-determined outcomes in order to produce predetermined results. If AIDA is to support experimental relationships and untested techniques and methods, it must operate in a climate that rewards risk and tolerates failure.

If AIDA is to successfully test new models that could provide the basis for a legacy foundation in ten or more years, it needs the programmatic flexibility to periodically venture beyond the confines of its initial charter.

USAID and AIDA should have a cordial and cooperative voluntary relationship with full sharing of information and substantive collaboration where warranted and desirable. However the proposed organization should not be required to support alliances established pursuant to the core USAID program or to invest in support of USAID projects since to do so would quickly exhaust limited AIDA resources and create an organization that functioned as an adjunct of USAID as opposed to an autonomous entity.

With regard to coordinating mechanisms, it is strongly recommended that USAID not be given a permanent ex-officio seat on the board of directors or be officially integrated into the program review and approval process. However, it is recommended that for the first three years of operation a USAID member (presumably the mission director or deputy) be on the board in order to facilitate the start-up process.

AIDA will need to adhere to and comply with all statutory, independent and operational audit requirements of USIAD, USG and the Indian authorities. Necessary procedures, audit committees, and coordinating mechanism will be required to ensure that USG interests and all legal requirements are complied with.

AIDA will develop criteria, after consultation with USAID to identify and monitor the performance parameters for the partnerships supported with AIDA funds. Given the mandate to develop partnerships in multiple sectors, there will be some failures. It is expected that AIDA will budget for and anticipate some level of failed investments while continuously developing tools and models to minimize such failures based on lessons learned.

2. Financing Method and Budget

AIDA will be financed with USAID funds. The project will consist of two parts. Part I will entail the design and incorporation of AIDA and Part II will involve the operations of AIDA, once established. The total project cost over the life of the project, Part I and Part II, over a five year period is $ 13 million. The project costs include costs for designing and establishing the organization, evaluations, technical assistance, grants, and institutional operating expenses.

Near the end of the project, USAID will conduct an evaluation of AIDA and depending on the outcome determine whether to terminate, amend or extend the Cooperative Agreement. In the event USAID decides to continue to support AIDA, current projections indicate that a further $21 million would be required to be obligated for a further tenure of five years. This projection may change significantly based on several factors, including program direction, past performance, capacity of AIDA to access other contributions, duration of additional support, and USAID priorities regarding using AIDA as a legacy institution.

Budget

BUDGET FOR PARTNERSHIP FACILITY (in $ '000)						
Sources/Receipts	Year I	Year II	Year III	Year IV	Year V	Total
USAID	850	2,526	2,374	3,356	3,905	13,011
Total Receipts	850	2,526	2,374	3,356	3,905	13,011
Application/Expenditure						
Salaries and Benefits, India		416	467	490	515	1,888
Salaries and Benefits, US		180	189	298	313	981
Other Direct Costs, India		450	405	425	447	1,727
Other Direct Costs, US		205	213	222	231	871
Capital Expenditure		925				925
Technical Assistance		100	200	300	400	1,000
Grants		250	900	1,400	2,000	4,550
Design Costs	850					850
Evaluation				220		220
Total Expenditure	850	2,526	2,374	3,356	3,905	13,011

3. Linkage to Mission's Strategic Plan

The Mission's Strategic Plan outlines a five-year investment in the areas of economic growth, health, energy and the environment, humanitarian assistance and equity. The emphasis on partnering and the building of partnership relations is included as an important cross-cutting theme and the goal of the plan is identified as "Partnering with India to Complete the Development Agenda." Cross-cutting theme four addresses Partnerships: *"..during the new strategy period, USAID will continue efforts to strengthen local institutions and promote partnerships among Indian and US institutions in support of India's sustainable development. Some of these partnerships will be implemented through traditional implementation arrangements, while others will be implemented through a Partnership Fund."*

The Mission's Strategic Plan also includes an evolving 15 year vision culminating in the termination of the large and long-standing concessional USAID program. It is in this long term context that the proposed organization is directly relevant.

The Mission Strategy as approved by USAID/Washington in its cable of May 2002 states, " *4. Long term Vision (partnership fund and legacy foundation): The strategy's long-term vision postulates the ending of the existing bilateral donor/recipient relationship between the U.S. and India in 2017. In place of that relationship [USAID] proposes the eventual establishment of a legacy foundation that will address remaining*

development issues when the bilateral relationship terminates. As an intermediate step Mission proposes establishment of a partnership fund during the 2003-2007 strategy period.

USAID/W approves Mission's establishment of a partnership fund during the 2003-2007 strategy period and exploration of an eventual legacy foundation…"

As outlined in this NAD, the proposed organization will be located in India with a bi-national identity and a supporting US presence. It would be funded initially by USAID but will attempt to cultivate and access private sector support as it matures and develops credibility with prospective private sector donors. The proposed organization would place emphasis on new and creative mechanisms to address development issues and act as a testing ground for a larger and more permanent legacy foundation.

As the activities of AIDA will be in the nature of a cross cutting theme, all strategic objectives of the Mission could be impacted. As an illustration, AIDA's proposed activities will have a direct and positive impact on expanding and creating efficiency in the marketplace for development alliances, thereby increasing resource mobilization across the board. AIDA functions would include investing in developing capabilities of Indian NGOs and providing information, thus enabling them to enter the 'market' and become potential market players; providing a   transparent and accessible platform (marketplace) for potential partners; and lowering the risk of partnership formation by providing innovative forms of grant-making for projects.

4. Expected Accomplishments and Results Framework

Partnerships are a cross-cutting theme and could impact several Mission SOs. AIDA is intended to increase quality and quantity of partnerships between American and Indian organizations by making the flow of resources and information easier. This 'market making activity' will lead to better transparency and efficiency in the allocation and mobilization of resources for development.

The AIDA project will be directly contributing to accomplishing SO 13 of USAID/India, "Increased Transparency and Efficiency in the Allocation and Mobilization of resources in Selected States." Indicators to measure outreach, impact and effectives will be developed under IR 1.4, "Increased capacity of policy, technology and trade to improve farm and national level resource allocation." The baselines will be developed in FY 2004 and reporting will commence in FY 2005.

The activities of AIDA will involve fostering of partnerships. It is expected that while a few will fail in meeting their objectives (an anticipated option given the nature of the 'social venture capital' business model) most will have a 'multiplier-impact' on the selected areas of activity. AIDA guidelines may include criteria which will ensure portability, sustainability, scalability, and clear performance/success measurement principles for projects/partnerships supported by AIDA.

5. Implementation Plan

Several factors will be borne in mind while developing the implementation plan. The importance of recruiting a strong board of directors with the array of skills and experience that will be needed if the initiative is to be successful is of paramount importance. AIDA requires a clear and distinctive identity and the board of directors will be the public face of the nascent organization.

Secondly, AIDA should embody a truly bi-national structure and integrate Indian and American perspectives and comparative expertise in an optimal manner. The capacity to operate in both the US and India is very important and requires a keen appreciation of AIDA's unique role. Short funding for the inevitably more expensive US operations will hamper performance and should be avoided. Essentially the desire to 'hard-wire' or over design the entity by the design team should be avoided. A capable board of directors should have the flexibility to drive this process.

 Thirdly, it's very important that AIDA has a constructive relationship with the GOI and with USAID and the US Embassy.

Finally, maximum feasible operational autonomy within established statutory boundaries and following careful certification that the new organization is adequately equipped with the necessary technical and procedural infrastructure to professionally manage USG funds is required.

A. Responsibility within USAID/India

Overall management of the design phase of the project will be handled by USAID/India's Office of Program Support (PS).

B. Implementation Process

The activity will be implemented in two parts. Part I will entail the design, planning, and creation of a separate legal entity, AIDA, to conduct operations as envisaged in the charter document. It is recommended that detailed institutional design be "outsourced" pursuant to an RFP award. The RFP should specify inclusion of a Mission official as an integral part of the design team in order to insure effective communications and speed-up subsequent compliance review. Part I is expected to take twelve months from the date of award of the contract. During the initial six month period, the Contractor would:

♦ Design a strategic planning process and assemble relevant data and information that would allow the staff and board of directors to move quickly toward the development of a strategic plan.

- Develop draft strategies and policies for presentation to the board of directors and key staff regarding program direction and sector specific activities; design criteria for selection, award, and monitoring of grants and technical assistance; prepare operating guidelines for risk-management, and develop positioning strategy for AIDA

- Draft articles of incorporation that ensure that the new entity has the authority to conduct the functions described in the NAD.

- Draft a charter and by-laws pursuant to the principles and guidelines set forth in the approved NAD.

- Develop a detailed organizational chart of functions and responsibilities.

- Develop a detailed budget within the overall funding parameters set forth in the NAD.

- Draft job descriptions and personnel, office and procurement procedural manuals that support the goals and purposes of the new entity.

- Draft a gender policy statement for the proposed organization and make appropriate insertions into charter, articles of incorporation and procedural and operational manuals.

- Develop preliminary selection criteria for identification of board members and assemble a "long list" of prospective US and Indian members.

- Conduct preliminary exploratory interviews with a plurality of board members and the board chair, subject to final establishment of the proposed organization.

- Develop accounting and financial reporting systems and procedures in compliance with accepted accounting standards and USAID reporting and monitoring requirements.

- Outline draft program grant categories, application procedures and a tentative time frame subject to review and approval by the executive director, once chosen.

- Conduct a staffing search for sufficient core personnel to function during Year I of operations including the Indian executive director and the American deputy director. (It is important that staffing be provisional and incomplete in order to allow the board and executive director the option of making later adjustments if necessary.)

- Locate office facilities and develop necessary lists and budgets for the procurement of office equipment.

- Conduct any and all other functions necessary to the establishment of a functioning organization capable of receiving and programming USAID funds as of October 1, 2004.

♦ Coordinate closely with the USAID Mission during the design phase and deliver a completed set of organizational documents on or before March 31, 2004.

♦ Respond to Mission enquiries and make adjustments as necessary during period April, 2004 to June, 2004.

♦ Implement registration and incorporation of the proposed organization in India during period June, 2004 to October, 2004 and implement necessary corresponding actions in the US, as necessary.

♦ Apply for and obtain initial FCRA 'prior permission' approval for the initial funding to be received from USAID by October 2004.

♦ Develop an implementation plan in consultation with USAID and the key staff of AIDA in accordance with the timelines set forth in the NAD

Once established as a legal entity in India with the capabilities and authorities needed to manage and program federal funds, USAID would execute a cooperative agreement or (preferably) a grant to the new organization to provide it with program and operating funds. This would be Part II of the activity.

C. Implementation Time Frame
If the approach that is outlined in this NAD is adopted, the implementation time-frame would be as follows:

Mission Review of the NAD:	May, 2003
Adoption of NAD	May 31, 2003
Preparation of Design SOW	June, 2003
Issuance of Design RFP	June 15, 2003
End of application period	August 31, 2003
Contract award for organizational design	September 15, 2003
Organizational design	October, 2003- March 31, 2004
USAID compliance Review	April 2004 – June 2004
Award of Cooperative Agreement	September 30, 2004
Incorporation of AIDA	October 1, 2004

6. Monitoring and Evaluation

The Monitoring structure should be designed to ensure close USAID oversight during the design process and year I start-up followed by a gradual and scheduled relaxation of oversight during years II-V and a termination of a formal monitoring system at the end of that period to be replaced by the quarterly and annual reports required of an Indian entity. Aside from standard reporting, by year V AIDA should be functioning with full independence and autonomy. AIDA's progress and execution during the design phase will be monitored by a full time project manager from USAID/India's PS office. Thereafter a cooperative agreement will be entered into between USIAD and AIDA which would provide for regular reporting. Details are provided below.

The components of the Monitoring Program years I -IV would be as follows:

Year	Activity
Design Year (12 months)	♦ Contractor provides deliverables pursuant to contract terms. (6 months.) ♦ Mission certifies compliance. (3 months.) ♦ AIDA registered and incorporated under Section 25 of the Companies Act. (3 months.)
Year II Operation	♦ USAID Mission Director on Board of Directors (Years I-III.) ♦ (Board approves all major grant commitments.) ♦ Quarterly report prepared against targets set forth in annual business plan. ♦ Critical targets include: ➢ Phased installation of institutional apparatus and procedures. ➢ Completion of staffing. ➢ Staffing and start-up of US office. ➢ Design and adoption of an outreach and marketing program. ➢ Initiation of marketing starting in month 7. ➢ Preparation of Strategic Plan designating priority areas. ➢ Staffing of Indian office. ➢ Convening of Board of Directors and 1st and 2nd quarterly meeting. ➢ Number of management consultancies provided. ➢ Number of new partnerships identified. ➢ Number of cross-sectoral and cross institutional partnerships identified. ➢ Review and approval of Business Plan for Year II
Year III Operation	♦ USAID Mission Director on Board of Directors. ♦ Quarterly report prepared against targets set forth in Business Plan. ♦ Critical targets include: ➢ Completion of remaining start-up and staffing. ➢ Convening of Board of Directors for 2 half year meetings. ➢ Number of management consultancies provided. ➢ Number of new partnerships identified. ➢ Number of cross-sectoral and cross institutional partnerships identified. ➢ Number of project grants made. ➢ Estimated level of additional resources for Indian development. ➢ Review and approval of Business Plan for Year III.
Year IV Operation	♦ USAID Mission Director on Board of Directors (final year). ♦ Half year report prepared against targets set forth in Business Plan.

	♦ Critical indicators include:
	➢ Number of management consultancies provided.
	➢ Number of new partnerships identified.
	➢ Number of cross-sectoral and cross institutional partnerships identified.
	➢ Estimated level of additional resources for Indian development.
	➢ Number of project grants made.
	➢ Review and modification of strategic plan prepared in Year I.
	➢ Preparation of a development plan.
	➢ Employment of a development officer.
	➢ Preparation of a Business Plan
Year V Operation	♦ Half yearly report prepared against targets set forth in Business Plan.

Evaluations and Studies

Evaluations and program assessments would be scheduled as follows:

Year	Type of Evaluation/Study	Conducted By	Measures/Provides
Year I	♦ Certification of Compliance and authorization to receive and manage government funds.	♦ USAID	♦ Quality of systems and procedures.
Year II	♦ Baseline study on number, type and length of US/India partnerships	♦ AIDA with assistance from Independent Consultant.	♦ Provides key data to measure progress toward results and subsequently assess validity of concept and Legacy Foundation potential.
Year II-V	♦ Individual Client Performance and Impact Evaluations.	♦ AIDA ♦ (Recommend 25% of client base.)	♦ Progress, information, lessons learned on individual client basis.
Year IV	♦ AIDA Performance Progress Evaluation. ("Mid-term" evaluation.)	♦ Independent evaluator(s)	♦ Program Strategy and Plan against performance to date. Key study prior to significant program expansion hence will provide useful inputs.
Year IV	♦ Analysis of Prospects/sources of private sector support	♦ Independent consultant	♦ AIDA Fund raising potential. Provides basis for employment of development officer and initiation of fund raising campaign.

Proposed Time Frame

The Proposed organization will be designed to grow and mature in an iterative fashion. The budget and evaluation/monitoring requirements have been detailed only for Part II of the project, i.e. upto year V. AIDA being an independent organization is expected to continue its activities well beyond the initial five years. The following indicative activities are envisaged in the second phase of five years (year VI to year X):

♦ Year I: Institutional design, USAID certification, incorporation and establishment. (This constitutes a 12 month period including time for full organizational design,

USAID certification, registration and incorporation under Section 25 of the Companies Act and initial FCRA approval for funding. While final program and strategic planning would not be completed during this period, the procedures and methodology that would facilitate an accelerated approach to this process would be installed so that a strategic plan could be developed in year II and modest program activity begun.)

♦ Year II: First year of operation. USAID commits funds under a cooperative agreement concurrent with day of incorporation. Funds are provided for three operational years, (years II through V).

♦ Year II through V: Interim operation with initial close USAID oversight to be followed by increasing autonomy.

♦ Year IV: Mid-term evaluation and program re-design as appropriate. Near complete autonomy reached. Employment of a development officer and establishment of fund raising capability. End of Year V, AID provides second cooperative agreement to fund AIDA for next 5 years.

Phase II (in the event USAID decides to extend its Cooperative Agreement with AIDA) - second tenure from year V to year X

♦ Years V through VIII: Program expansion.

♦ Year VIII: Evaluation of overall progress and effectiveness relevant to design of Legacy Foundation.

♦ Year IX: Design of Legacy Foundation and plan for phase out of AIDA and integration of AIDA assets into Legacy structure. At conclusion of Year, USAID provides funds in cooperative agreement to AIDA to phase down operations and to merge assets with Legacy Foundation. (Presumably, a similar grant or cooperative agreement would be made to the new Legacy Foundation.)

♦ Year X: Gradual Project phase down and transfer of assets to new Legacy Foundation.

7. Procurement Plan

The procurement plan envisages two principal instruments:

- USAID direct award to a US institution which would provide professional technical assistance (TA) to design, establish and staff the proposed new organization; (Part I) and
- Cooperative agreement between USAID and the new organization to fulfill the objectives and functions of AIDA (Part II).

Procurement actions will be as follows (for Part I):

♦ Prepare scope of work for detailed design   May, 2003

♦ Issue RFP   June, 2003

♦ Chose contractor   August, 2003

♦ Negotiate SOW and contract   September, 2003

♦ Commit design funds   September, 30 2003

♦ Design work and preparation
of specified deliverables   October 2003-March, 2004

♦ USAID compliance Review   April 2004 – June 2004

♦ Draft terms of cooperative agreement   July, 2004

♦ Award of cooperative agreement   September 30, 2004

8. Analyses

As mentioned in the introduction, the proposed activity was formulated after 18 months of conceptualization and analysis. Originally a concept paper titled "Modalities for a Twenty First Century Partnership: Building Durable Partnerships between American and Indian Organizations" was prepared by Stark Biddle & Associates in October 2001. This document was expanded and revised based on field interviews in India and the US and reviewed by the Mission in March 2002. A detailed analysis was conducted by Development Alternatives Inc. titled "The Collaborative Venture Facility Design Analysis." The project design draws from all these earlier works. Apart from these analyses the following mandatory analyses were completed.

A. Gender Analysis

A detailed gender analysis is included as Chapter 5 of the report prepared by Development Alternatives. This section has been reviewed by the Missions' Gender specialist and the following synthesized recommendations should be incorporated into the design and management of the proposed organization. These are:

♦ Guided by the Board, the Charter and by-laws should clearly articulate the proposed organization's commitment to gender equality and equity concerns. Seen as much as a process as an objective in itself, gender equality is recognized as a cross cutting

issue and relevant to all aspects of development cooperation. (Board is committed to gender equality.)

♦ Its systems, policies, procedures, staffing at all levels including the Board and budgets reflect a gender equitable organization. (The Board should include women from both India and the United States).

♦ Selection of program priorities are guided by information and analysis of gender and equity concerns.

♦ Accountability frameworks at the corporate and program levels – design, monitoring, and evaluation - ensure that gender equality concerns are addressed. (Reporting and evaluation should incorporate information relevant to gender issues).

♦ Advisory panels and AIDA staff include expertise on gender issues. The staff and partners (receiving project/program grants) receive training (tools, resources, practices) on addressing and integrating gender issues in their respective areas of work. (Expert advisory panels should include women)

B. Environmental Review

The mandatory environmental review has been completed and is provided in Attachment 6. A categorical exclusion was determined for the proposed activity.